

# EXHIBIT A



# Treated *Fairly*



**PART I****ITEM 1. BUSINESS.****General / Corporate Overview**

ProAssurance Corporation is a holding company for property and casualty insurance companies focused on professional liability insurance. Throughout this report, references to ProAssurance, "we", "us" and "our" refers to ProAssurance Corporation and its consolidated subsidiaries. Our executive offices are located at 100 Brookwood Place, Birmingham, Alabama 35209 and our telephone number is (205) 877-4400. Our stock trades on the New York Stock Exchange under the symbol "PRA." Our website is [www.ProAssurance.com](http://www.ProAssurance.com). Because the insurance business uses certain terms and phrases that carry special and specific meanings, we encourage you to read the Glossary included in this section.

The Investor Home Page on our website provides many resources for investors seeking to learn more about us. Our annual report on Form 10K, our quarterly reports on Form 10Q, and our current reports on Form 8K are available on our website as soon as reasonably practical after filing with the Securities and Exchange Commission (the SEC) on its EDGAR system. We show details about stock trading by corporate insiders by providing access to SEC Forms 3, 4 and 5 when they are filed with the SEC. We maintain access to these reports for at least one year after their filing.

In addition to federal filings on our website, we make available the financial statements we file with state regulators (compiled under Statutory Accounting Principles as required by regulation), news releases that we issue, a listing of our investment holdings, and certain investor presentations. We believe these documents provide important additional information about our financial condition and operations.

The Governance section of our website provides copies of the Charters for our Audit Committee, Internal Audit department, Compensation Committee and Nominating/Corporate Governance Committee. In addition you will find our Code of Ethics and Conduct, Corporate Governance Principles, Policy Regarding Determination of Director Independence and Share Ownership Guidelines for Management and Directors. We also provide the Pre-Approval Policy and Procedures for our Audit Committee and our Policy Regarding Stockholder-Nominated Director Candidates. Printed copies of these documents may be obtained from Frank O'Neil, Senior Vice President, ProAssurance Corporation, either by mail at P.O. Box 590009, Birmingham, Alabama 35259-0009, or by telephone at (205) 877-4400 or (800) 282-6242.

**Caution Regarding Forward-Looking Statements**

Any statements in this Form 10K that are not historical facts are specifically identified as forward-looking statements. These statements are based upon our estimates and anticipation of future events and are subject to certain risks and uncertainties that could cause actual results to vary materially from the expected results described in the forward-looking statements. Forward-looking statements are identified by words such as, but not limited to, "anticipate", "believe", "estimate", "expect", "hope", "hopeful", "intend", "may", "optimistic", "preliminary", "potential", "project", "should", "will" and other analogous expressions. There are numerous factors that could cause our actual results to differ materially from those in the forward-looking statements. Thus, sentences and phrases that we use to convey our view of future events and trends are expressly designated as forward-looking statements as are sections of this Form 10K that are identified as giving our outlook on future business.

Forward-looking statements relating to our business include among other things: statements concerning liquidity and capital requirements, investment valuation and performance, return on equity, financial ratios, net income, premiums, losses and loss reserves, premium rates and retention of current business, competition and market conditions, the expansion of product lines, the development or acquisition of business in new geographical areas, the availability of acceptable reinsurance, actions by regulators and rating agencies, court actions, legislative actions, payment or performance of obligations under indebtedness, payment of dividends, and other matters.

### **Corporate Organization and History**

We were incorporated in Delaware as the successor to our predecessor company, Medical Assurance, Inc. in connection with its merger with Professionals Group, Inc. (Professionals Group) in June 2001. The following table lists our core operating subsidiaries, most of which were renamed in 2008 in order to reinforce our corporate identity.

<b>Core Operating Subsidiaries</b>	<b>Formerly Operating As:</b>
ProAssurance Indemnity Company, Inc. (PRA Indemnity)	The Medical Assurance Company, Inc.*
ProAssurance Casualty Company (PRA Casualty)	ProNational Insurance Company
ProAssurance National Capital Insurance Company (PRA National)	NCRIC, Inc.
ProAssurance Wisconsin Insurance Company (PRA Wisconsin)	Physicians Insurance Company of Wisconsin, Inc.
ProAssurance Specialty Insurance Company, Inc. (PRA Specialty)	Red Mountain Casualty Insurance Company, Inc.

\* We merged Woodbrook Casualty Insurance, Inc. into ProAssurance Indemnity Company, Inc. effective December 31, 2008. Woodbrook ceased operations when the merger was effective, as PRA Indemnity assumed its policies and obligations.

We are the successor to twelve insurance organizations and much of our growth has come through mergers and acquisitions. In each, we retained key personnel, allowing us to maintain a local presence and preserve important institutional knowledge in underwriting, claims, risk management and marketing. We believe that our ability to utilize this local knowledge is a critical factor in the operation of our companies. Our successful integration of each organization demonstrates our ability to grow effectively through acquisitions.

### ***Recent Developments***

In December 2008 we repurchased \$23.0 million of our outstanding trust preferred securities for approximately \$18.4 million. We recognized a gain of approximately \$4.6 million on the extinguishment of debt which is discussed in more detail in Note 11 to the Consolidated Financial Statements. The repurchased securities had been issued in April and May, 2004 as a part of a larger transaction wherein we issued \$45.0 million of trust preferred securities, having a 30-year maturity and callable at par beginning in May 2009. The proceeds from the sale of the trust preferred securities were used for general corporate purposes, including contributions to the capital of our insurance subsidiaries to support growth in our insurance operations.

In December and November of 2008, ProAssurance announced the following acquisitions:

- We completed our purchases of Georgia Lawyers Insurance Company (Georgia Lawyers) and Mid-Continent General Agency, Inc. (Mid-Continent) in the first quarter of 2009. Georgia Lawyers provides professional liability insurance for lawyers in the state of Georgia and reported premiums written of approximately \$5.7 million in 2008. Mid-Continent is a Managing General Agent, based in Houston, Texas producing approximately \$26 million a year in premiums from ancillary healthcare providers and other professional liability coverages, including approximately \$2.7 million of premium produced for ProAssurance.
- We have executed an agreement to acquire The PICA Group (PICA) through a cash sponsored demutualization. We will purchase all of PICA's stock for \$120 million in cash and provide a \$15 million cash surplus contribution for premium credits to be given to eligible policyholders over a three year period beginning in 2010. PICA primarily provides professional liability insurance to podiatric physicians throughout the United States and had gross written premium of approximately \$96 million in 2008. The PICA transaction remains subject to policyholder approval but is expected to close in the second quarter of 2009.

In August 2008 our Board of Directors authorized \$100 million to be used for the repurchase of our common stock or debt securities. As of December 31, 2008 we have used \$7.2 million of that authorization to repurchase approximately 165,000 shares of our common stock, and we used approximately \$18.4 million of that authorization for the repurchase of trust preferred securities, as previously discussed in this section.

In July 2008, we converted all our outstanding Convertible Debentures (aggregate principal of \$107.6 million) into approximately 2,572,000 shares of ProAssurance common stock. No gain or loss was recorded related to the conversion, which is discussed in more detail in Notes 11 and 12 to the Consolidated Financial Statements, included herein.

In December 2007 we redeemed, at face value, for cash, outstanding subordinated debentures of \$15.5 million that became our obligation when we acquired NCRIC Corporation (NCRIC). In April 2007 our Board of Directors authorized \$150 million to be used for the repurchase of our common stock and debt securities. All of the authorization has been utilized for the repurchase of 2.6 million shares of common stock in 2007 and 2008 and the redemption of the NCRIC debt, as previously discussed.

Effective July 1, 2007 A. Derrill Crowe, M.D. retired as Chief Executive Officer (CEO). The Board of Directors elected W. Stancil Starnes to succeed Dr. Crowe as CEO. Mr. Starnes formerly served as President, Corporate Planning and Administration, of Brasfield & Gorrie, LLC, a large commercial construction firm, and as the Senior and Managing Partner of Starnes & Atchison, LLP, Attorneys at Law, a firm extensively involved with ProAssurance and its predecessor companies in the defense of its medical liability claims. On September 22, 2008, Dr. Crowe resigned as non executive Chairman of the Board and from his position as a director, for personal reasons. On October 16, 2008, our Board of Directors elected our CEO, W. Stancil Starnes, to serve as the Chairman of the Board.

Effective August 1, 2006 we completed our acquisition of Physicians Insurance Company of Wisconsin, Inc., now PRA Wisconsin, in an all stock merger. PRA Wisconsin is a stock insurance company that sells professional liability insurance to physicians, groups of physicians, dentists, and hospitals principally in the state of Wisconsin as well as other Midwestern states.

Effective January 1, 2006 we sold the operating subsidiaries that comprised our personal lines operations, MEEMIC Insurance Company and MEEMIC Insurance Services (collectively, the MEEMIC companies), for \$400 million before taxes and transaction expenses. We recognized a gain on the sale in the first quarter of 2006 of \$109.4 million after consideration of sales expenses and estimated taxes. We used the sale proceeds to support the capital requirements of our professional liability insurance subsidiaries and other general corporate purposes. Additional information regarding the sale of the MEEMIC companies is provided in Note 4 to the Consolidated Financial Statements.

On August 3, 2005 we acquired all of the outstanding common stock of NCRIC Corporation and its subsidiaries in an all stock merger. NCRIC's primary business is a single insurance company that provides medical professional liability insurance principally in the vicinity of the District of Columbia.

### **Products and Services**

We sell professional liability insurance primarily to physicians, dentists, other healthcare providers and healthcare facilities. We also have a small, but growing, book of legal professional liability business. We are licensed to do business in every state but Connecticut, Maine, New Hampshire, New York and Vermont.

We generate the majority of our medical professional liability premiums from individual and small group practices, but also insure large physician groups as well as hospitals. While most of our business is written in the standard market, we also offer medical professional liability insurance on an excess and surplus lines basis. We also offer professional office package and workers' compensation insurance products in connection with our medical professional liability products.

### **Marketing**

We utilize both direct marketing and independent agents to write our business. For the year ended December 31, 2008, we estimate that approximately 69% of our gross premiums written were produced through independent insurance agencies. These local agencies usually have producers who specialize in professional liability insurance and who we believe are able to convey the factors that differentiate our professional liability insurance products. No single agent or agency accounts for more than 10% of our total direct premiums written.

Our marketing of medical professional liability insurance is primarily directed to individual physicians, and those in smaller groups. We generally do not target large physician groups or facilities because of the difficulty in underwriting the individual risks within those groups and because their purchasing decisions are more focused on price. Through "Treated Fairly" we emphasize:

- excellent claims service,
- the sponsorship of risk management education seminars as an accredited provider of continuing medical education,
- risk management consultation, loss prevention seminars and other educational programs,
- legislative oversight and active support of proposed legislation we believe will have a positive effect on liability issues affecting the healthcare industry,
- the dissemination of newsletters and other printed material with information of interest to the healthcare industry, and
- endorsements by, and attendance at meetings of, medical societies and related organizations.

These communications and services demonstrate our understanding of the insurance needs of the healthcare industry and promote a commonality of interest among us and our insureds. We believe that a local presence in our markets enables us to effectively provide these communications and services, all of which have helped us gain exposure among potential insureds.

#### EXECUTIVE OFFICERS OF PROASSURANCE CORPORATION

The executive officers of ProAssurance Corporation (ProAssurance) serve at the pleasure of the Board of Directors. We have a knowledgeable and experienced management team with established track records in building and managing successful insurance operations. In total, our senior management team has average experience in the insurance industry of 19 years. Following is a brief description of each executive officer of ProAssurance, including their principal occupation, and relevant background with ProAssurance and former employers.

- W. Stancil Starnes** Mr. Starnes was appointed as Chief Executive Officer of ProAssurance effective July 2, 2007 and has served as the Chairman of the Board since October 2008. Mr. Starnes served as President, Corporate Planning and Administration, of Brasfield & Gorrie, LLC, a large commercial construction firm from October, 2006 to May, 2007. Prior to October 2006, Mr. Starnes served as the Senior and Managing Partner of Starnes & Atchison, LLP, Attorneys at Law, and was extensively involved with ProAssurance and its predecessor companies in the defense of its medical liability claims. (Age 60)
- Victor T. Adamo** Mr. Adamo has been the President of ProAssurance since its inception. Mr. Adamo joined the predecessor to Professionals Group in 1985 as general counsel and was elected as Professionals Group CEO in 1987. From 1975 to 1985, Mr. Adamo was in private legal practice and represented the predecessor to Professionals Group. Mr. Adamo is a Chartered Property Casualty Underwriter. (Age 60)
- Howard H. Friedman** Mr. Friedman is a Co-President of our Professional Liability Group, a position he has held since October 2005, and is also our Chief Underwriting Officer. Mr. Friedman has served in a number of positions for ProAssurance, most recently as Chief Financial Officer and Corporate Secretary. He was also the Senior Vice President, Corporate Development of Medical Assurance. Mr. Friedman is an Associate of the Casualty Actuarial Society. (Age 50)
- Jeffrey P. Lisenby** Mr. Lisenby was appointed as a Senior Vice President in December 2007 and has served as our Corporate Secretary since January 1, 2006. Mr. Lisenby has served as Vice President and head of the corporate Legal Department since 2001. Mr. Lisenby also previously practiced law privately in Birmingham, Alabama and served as a judicial clerk for the United States District Court for the Northern District of Alabama. Mr. Lisenby is a member of the Alabama State Bar and the United States Supreme Court Bar and is a Chartered Property Casualty Underwriter. (Age 40)
- Frank B. O'Neil** Mr. O'Neil was appointed as our Senior Vice President of Corporate Communications and Investor Relations in September 2001. Mr. O'Neil first joined our predecessor in 1987 and has been our Senior Vice President of Corporate Communications since 1997. (Age 55)
- Edward L. Rand, Jr.** Mr. Rand was appointed Chief Financial Officer on April 1, 2005, having joined ProAssurance as our Senior Vice President of Finance in November 2004. Prior to joining ProAssurance Mr. Rand was the Chief Accounting Officer and Head of Corporate Finance for PartnerRe Ltd. Prior to that time Mr. Rand served as the Chief Financial Officer of Atlantic American Corporation. Mr. Rand is a Certified Public Accountant. (Age 42)



**Report of Independent Registered Public Accounting Firm**

**The Board of Directors and Stockholders of ProAssurance Corporation**

We have audited ProAssurance Corporation and subsidiaries' internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). ProAssurance Corporation and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, ProAssurance Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2008 and 2007, and the related consolidated statements of changes in capital, income and cash flow for each of the three years in the period ended December 31, 2008, of ProAssurance Corporation and subsidiaries and our report dated February 24, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Birmingham, Alabama  
February 24, 2009



# SIGNATURES

Pursuant to the requirements of Section 13 of 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this the 24th day of February 2009.

## PROASSURANCE CORPORATION

By: /s/W. Stancil Starnes  
W. Stancil Starnes

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/W. Stancil Starnes</u> W. Stancil Starnes	Chairman of the Board and Chief Executive Officer (Principal Executive Officer) and Director	February 24, 2009
<u>/s/Edward L. Rand, Jr.</u> Edward L. Rand, Jr.	Chief Financial Officer	February 24, 2009
<u>/s/Victor T. Adamo</u> Victor T. Adamo	Director	February 24, 2009
<u>/s/Lucian F. Bloodworth</u> Lucian F. Bloodworth	Director	February 24, 2009
<u>/s/Robert E. Flowers, M.D.</u> Robert E. Flowers, M.D.	Director	February 24, 2009
<u>/s/William J. Listwan, M.D.</u> William J. Listwan, M.D.	Director	February 24, 2009
<u>/s/John J. McMahon, Jr.</u> John J. McMahon, Jr.	Director	February 24, 2009
<u>/s/Drayton Nabers, Jr.</u> Drayton Nabers, Jr.	Director	February 24, 2009
<u>/s/John P. North, Jr.</u> John P. North, Jr.	Director	February 24, 2009
<u>/s/Ann F. Putallaz, Ph.D.</u> Ann F. Putallaz, Ph.D.	Director	February 24, 2009
<u>/s/William H. Woodhams, M.D.</u> William H. Woodhams, M.D.	Director	February 24, 2009
<u>/s/Wilfred W. Yeargan, Jr., M.D.</u> Wilfred W. Yeargan, Jr., M.D.	Director	February 24, 2009

**Report of Independent Registered Public Accounting Firm**

**To the Board of Directors and Stockholders of ProAssurance Corporation**

We have audited the accompanying consolidated balance sheets of ProAssurance Corporation and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of changes in capital, income and cash flow for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedules listed in the Index at Item 15(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of ProAssurance Corporation and subsidiaries at December 31, 2008 and 2007, and the consolidated results of their operations and their cash flow for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ProAssurance Corporation's internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Birmingham, Alabama  
February 24, 2009